

WEEKLY ECONOMIC REVIEW

MAY 13, 2005

Positive U.S. economic data boosted the greenback against major currencies this week, with the U.S. dollar reaching a 6-month high against the Euro. A lower than expected March U.S. trade deficit (\$55 billion instead of the forecast \$60 billion) and very strong April retail sales were the main contributors. Markets expect an upward revision to the preliminary first quarter U.S. economic growth estimate of 3.1%, and continued U.S. interest rate increases in the near term.

Canada's trade surplus held steady in March at \$4.2 billion, but was well below market expectations. Along with a 2.4% decline in Canadian manufacturing shipments in March and a globally resurgent U.S. dollar, the Canadian dollar fell to its lowest level in 30 weeks, at just over 79 cents. Markets still expect the Bank of Canada to remain on the sidelines until the latter half of 2005.

Alberta housing starts remained very strong in April, running at an annual pace of over 40,000 and recording growth of 7.9% through the first four months of the year.

Cdn Dollar (US¢/CS)

May 13, 2005	79.2¢
May 6, 2005	80.4¢
2005-06 YTD	80.7¢

WTI Oil \$US/bbl

May 12, 2005	\$48.54
May 5, 2005	\$50.83
2005-06 YTD	\$52.43

Nymex Natural Gas \$/mcf*

June Contract	
May 13, 2005	\$8.19
May 6, 2005	\$8.40

*estimate based on Nymex Futures Market Price

Alberta's manufacturing sector bucked the national trend, with shipments rising by 1.3% in March (and 15.7% year to date).

Strong inventory reports (including the highest U.S. oil inventories in three years), along with a downgrade to China's energy demand forecast, put downward pressure on energy prices this week. Oil closed at US\$48.54 a barrel on Thursday, its lowest level since mid-February.

News of soaring Chinese oil imports in April (up 22.5% from a year ago) saw oil prices rebound Friday morning.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date ¹
Canadian International Merchandise Trade (\$ millions)	March			
Exports	35,763	0.2%	2.9%	5.6%
Imports	31,528	0.0%	8.1%	11.2%
Trade Balance	4,235	1.9%	-24.2%	-24.0%
Housing Starts (SAAR)²	April			
Alberta	40,700	1.5%	10.8%	7.9%
Canada	217,650	5.5%	-1.3%	-3.9%
Manufacturing Shipments	March			
Alberta	4,804	1.3%	13.1%	15.7%
Canada	49,690	-2.4%	2.7%	8.1%
New Motor Vehicle Sales (# of vehicles)	March			
Alberta	17,462	-3.6%	6.9%	9.4%
Canada	133,698	-5.9%	-1.8%	3.5%

Source: Statistics Canada and Canadian Mortgage and Housing Corporation

¹Year-to-date 2005 compared to the same time period in 2004. For example: January-March 2005 versus January-March 2004

²Seasonally Adjusted at Annual Rates